

Message Text

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10
ACTION EA-10

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

LAB-04 SIL-01 L-03 PA-02 PRS-01 SAM-01 (ISO) W
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R 170750Z JUN 75
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 919
INFO AMEMBASSY BONN
AMCONSUL HONG KONG
AMEMBASSY LONDON
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AMEMBASSY ROME
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UNCLAS TOKYO 8033

PASS TREASURY, FEDERAL RESERVE AND CEA

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: GOJ ANNOUNCES THIRD SET OF ANTI-RECESSION MEASURES

1. SUMMARY: FOLLOWING JUNE 16 MEETING OF MINISTERIAL COUNCIL FOR ECONOMIC POLICY, CHAIRMAN AND DEP PM FUKUDA ANNOUNCED EIGHT-POINT PACKAGE OF MEASURES /EXPECTED TO PLAY A SIGNIFICANT ROLE IN LIFTING THE NATION'S ECONOMY OUT OF ITS PRESENT SLUMP." FUKUDA REPORTED THAT PACKAGE OF MEASURES IS DESIGNED TO CREATE ADDITIONAL DEMAND OF 1,800 BIL YEN (APPROX \$6 BIL) WHICH EQUIVALENT TO SLIGHTLY MORE THAN ONE PERCENT OF GNP. FUKUDA CONSIDERS STEADY RECOVERY OF BUSINESS ACTIVITY FROM PRESENT SLUMP WILL BEGIN IN JULY-SEPT QUARTER. THIS THIRD SET OF DEFLATIONARY MEASURES FOLLOWS THOSE ALREADY ADOPTED SEPT 14 AND MAR 24 REPORTED TOKYO 1412 AND 4121 NOTAL. DETAILS OF THE UNCLASSIFIED

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PACKAGE ARE OUTLINED BELOW. SOME GOJ MINISTERS AND PRIVATE SECTOR LEADERS HAVE PUBLICLY CRITICIZED PROGRAM AS INADEQUATE. END SUMMARY.

2. HOUSING: GOVT HOUSING LOAN CORP WILL DISBURSE IN THE PRESENT HALF YEAR PORTION OF CREDITS ORIGINALLY BUDGETED FOR SECOND HALF SEPT 75-MAR 76. MEASURE WILL REPORTEDLY PROVIDE LOW INTEREST HOUSING FUNDS TO AN ADDITIONAL 48,000 PERSONS ON TOP OF 74,000 PERSONS BENEFITING FROM PREVIOUS REFLATIONARY MEASURES.

3. PUBLIC WORKS: NEW CONTRACTS TO BE AWARDED IN FIRST HALF OF FISCAL YEAR RAISED SLIGHTLY FROM 67 TO 70 PERCENT OF TOTAL FUNDS APPROPRIATED FOR ENTIRE FISCAL YEAR. THIS IS STILL BELOW 75 PERCENT RATIO FOR FIRST HALF-YEAR AWARDS DURING JFY 71 AND 72, A TIME WHEN GOJ WAS VERY ACTIVELY STIMULATING ECONOMY THROUGH RAPID INCREASES IN PUBLIC WORKS SPENDING AND SUPPLEMENTAL APPROPRIATIONS. THERE WAS NO ANNOUNCEMENT WHETHER THIS YEAR GOJ WOULD SEEK SUPPLEMENTAL BUDGET FOR PUBLIC WORKS IN CASE FUNDS RUN OUT IN LATTER HALF OF FISCAL YEAR.

4. CREDITS: JAPAN DEVELOPMENT BANK AND PUBLIC NUISANCE PREVENTION CORP WILL EXTEND SOME 50 BIL YEN IN ADDITIONAL LOANS TO ASSIST PRIVATE ENTERPRISE FINANCE ANTI-POLLUTION INVESTMENTS FOR PROJECTS ENHANCING WORKER SAFETY.

5. CREDITS FOR SMALLER ENTERPRISES: THESE WILL BE LIBERALIZED AND PROVIDED BY COMMERCIAL BANKS AND THE SPECIALIZED LENDING INSTITUTIONS FOR SMALL BUSINESS.

6. SMALL BUSINESS: WILL ALSO BE ASSISTED THROUGH ADDITIONAL GOJ ORDERS PLACED WITH THEM.

7. ADMINISTRATIVE GUIDANCE: WILL BE USED TO LOWER COMMERCIAL BANKS' LENDING RATES SO AS TO REDUCE THE HEAVY INTEREST BURDEN ON BUSINESS.

8. CONSUMER CREDIT: REGULATIONS WILL BE EASED FOR AUTOS AND OTHER COMMODITIES.

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9. INVESTMENT CEILING: PRESENT LIMITATIONS RESTRICTING NEW PLANT AND EQUIPMENT INVESTMENTS WILL BE REMOVED.

10. COMMENTARY: EMBASSY CONSIDERS PHASE THREE LIKE A MARSHMALLOW -- SWEET, FULL OF AIR, BUT PROVIDING LITTLE NOURISHMENT. IT IS EVIDENT THAT FUKUDA STILL VERY MUCH CONCERNED ABOUT REVIVAL OF INFLATION AND IS MAJOR VOICE IN CURRENT ECONOMIC POLICYMAKING. PRESS REPORTS INDICATE OTHER MINISTERS AT MEETING UNHAPPY WITH MEASURES ADOPTED. ITI MINISTER KOMOTO REPORTEDLY SAID "I AM NOT SATISFIED WITH THE MEASURES," QUESTIONED THEIR EFFECTIVENESS AND CALLED FOR MORE DRASIC FISCAL MEASURES TO BOOST THE DEPRESSED ECONOMY. CONSTRUCTION MINISTER KAMIYA DENOUNCED

MEASURES AS EX POST FACTOR APPROVAL OF SPONTANEOUS INCREASES
IN SPENDING PROGRAMS. INDUSTRIAL LEADER DOKO, PRESIDENT
OF KEIDANREN (FEDERATION OF ECONOMIC ORGANIZATIONS),
SAID RECESSION HAS NOT YET BOTTOMED OUT AND ADDITIONAL
PUBLIC WORKS SPENDING ANNOUNCED WILL NOT BE ENOUGH TO
STIMULATE RECOVERY. HE URGED GOJ TO UNDERTAKE FOURTH
SET OF ANTI-RECESSION MEASURES AS SOON AS POSSIBLE
INCLUDING LARGER BUDGET DEFICIT TO BUOY UP SAGGING
ECONOMY. FINMIN OHIRA SAID PHASE THREE WAS MAXIMUM
GOJ COULD DO AT PRESENT AND STILL DEAL WITH INFLATION.
HE IS REPORTED TO BE SKEPTICAL OF FUKUDA'S ONE-DIGIT
INFLATION OBJECTIVE WHICH WILL REQUIRE GOJ RESTRAINT
IN RAISING REGULATED PRICES THEREBY INCREASING SIZE OF
GOVT SUBSIDIES (E.G. RICE). OHIRA CONSIDERS PRICE
TARGET MUST BE BALANCED WITH OTHER ECONOMIC POLICY
PRIORITIES.

HODGSON

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